

**Sjoberg's Inc.**  
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April 18, 2005

Ms. Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

*via electronic filing*

**Re: American Cable Association Petition for Rulemaking, RM-11203**

Dear Ms. Dortch:

On behalf of Sjoberg's Inc., I write to express our strongest support for ACA's petition for rulemaking on retransmission consent. I operate an independent cable company that serves customers in smaller, rural areas, and I can verify that the petition accurately describes the upcoming retransmission consent crisis. Broadcasters, including those in my markets, have made it clear that they will force us to charge an additional \$5 to \$6 per subscriber per month for basic cable, to cover new demands of cash for carriage. ACA's solution to this problem is pro-competition, pro-consumer, and deregulatory. It will benefit the consumers served by my company and will help keep down the costs of basic cable.

Provided below is some information about my company and why we think the Commission needs to grant ACA's petition.

**Company background**

Our company is family owned and began providing cable service in 1962. We operate four headends serving a total of 8,500 customers in rural Minnesota. Our largest system serves 3,500 customers and our smallest system serves 25.

We have invested in upgrading our system, have launched digital cable, and began offering broadband in our largest system seven years ago. DBS competition has been a strong competitor in our markets, taking subscribers and making it difficult to increase rates. At the same time, programming costs have increased far ahead of inflation. I estimate that programming costs have increased by more than 14% per year for the last five years.

The broadcasters' demands for several more dollars per month presents a major problem. For example, a Fox owned and operated Station asked us to carry eight additional services (Fox News Channel, National Geographic Channel, Fox Sports Channel, Fox Movie Channel, FX, Fox Sports Atlantic, Fox Sports Central, and Fox Sports Pacific). When I informed them that I already carried several of these channel through previous retransmission consent rounds, they asked for \$.25 per subscriber per month and the carriage. I think this borders on extortion and is definitely not good public policy. Because our margins are already stretched thin, we have no choice but to pass this cost on to our customers. They will be angry. Some will drop our service. Those that do not will have to pay up to several dollars more for basic cable.

### **Why we support ACA's Petition**

Basically, all that ACA asks for is a right for us to shop and only when a broadcaster demands a price for retransmission consent. In my markets, I know this will work to lower the cost of retransmission consent for my customers.

First, I know that I could obtain network programming at a lower cost from other broadcasters. I can do this by receiving signals from neighboring markets.

Second, if the broadcasters in my market know alternatives exist, I am confident I will be able to negotiate a lower price. That works in every type of transaction, and it will work in retransmission consent.

As stated in the petition, the problem is not that broadcasters demand a "price" for retransmission consent. The problem is that they block our ability to find lower-cost alternatives. The petition shows how this problem will easily cost consumers and smaller cable operators upwards of \$1 billion next year. In my markets, broadcasters' demands will cost my company and our subscribers at least \$102,000 per year.

In addition, none of our "local" broadcasters provide a Grade B signal to the areas we serve. Without the extension of service that cable provides, most of the people in our area would not be able to watch the local broadcasters at all. One of our systems is over 220 miles from the ABC, NBC and CBS stations. We transport these signals over a microwave and fiber optic system that we built with private capital with no help from the broadcasters. I think they are getting a free ride into their service area.

By making the limited changes requested by ACA, the Commission will bring some market discipline to retransmission consent "pricing." This will help to keep our costs down and will benefit our consumers.

**After all, our customers can shop for their television viewing, why shouldn't a cable operator be able to provide the best value possible for them.**

**Our concern for localism**

As a final point, I want the Commission to know that we support local broadcasting and prefer to carry our local broadcasters. We currently provide 48 hours per day of local programming on our cable system. We understand the importance of local programming, but we also understand how much our customers are willing to pay for it. The problem is the higher prices being demanded by more and more owners of these stations. Most often the owners are based in corporate headquarters hundreds or thousands of miles away. Frankly, they don't care about localism. They just want our customers' money.

We fully support a fair exchange of value for carriage of local signals. But when broadcasters demand a "price," we need the ability to "shop" to get a "price" that fairly reflects the value of the signal. Please act on ACA's Petition as soon as you can.

Sincerely,  
Richard J. Sjoberg  
President  
Sjoberg's Inc